

## Message Text

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ACTION FBOE-00

INFO OCT-01 EUR-12 ISO-00 SSO-00 /013 W  
-----010658Z 017939 /13/43  
O 271740Z MAY 77  
FM AMEMBASSY PRAGUE  
TO SECSTATE WASHDC IMMEDIATE 2792  
AMEMBASSY BELGRADE

UNCLAS PRAGUE 1434

FOR A/FBO

FOR SY/FO AND A/SY/NSU

BELGRADE FOR RSO PASS TO OIC, NSU

C O R R E C T E D COPY HEADING

E.O. 11652: N/A  
TAGS: ABLD, ASEC, AFIN  
SUBJECT: CHANCERY REAR COURTYARD RENOVATION PROJECT,  
PROPERTY NO.: OTH OBC-SDA X01001

REF: (A) STATE 138454 OF JUNE 5, 1976  
(B) STATE 214581 OF AUGUST 31, 1976

1. REQUEST FOR ADDITIONAL FUNDING  
THE EMBASSY REQUESTS 36,860 DOLLARS INCREASE TO CODE 212  
ALLOTMENT 3228 TO PERMIT RENOVATION OF CHANCERY LOWER AND  
UPPER REAR COURTYARDS.

2. BACKGROUND  
A. IN NOVEMBER, 1975, THE PRAGUE BUILDING ENTERPRISE  
(PBE), THE STATE CONSTRUCTION CONTRACTOR RESPONSIBLE FOR  
OUTSIDE BUILDING REPAIR AND RENOVATION IN PRAGUE, SUBMITTED  
A PRELIMINARY ESTIMATE COVERING RENOVATION OF THE REAR  
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COURTYARDS AMOUNTING TO 211,762 DOLLARS.

B. FBO, BY REFTEL (A), PROVIDED 65,300 DOLLARS FOR RENOVATION  
OF CENTRAL REAR COURTYARD ONLY, AND THE EMBASSY WROTE CONTRACT  
NO. S-13-FBO-130 COVERING THE PERIOD APRIL TO NOVEMBER  
1976.

C. IN OCTOBER, 1976, PBE PERFORMED A MORE DETAILED SURVEY FOR THE REMAINDER OF THE REAR AREA. THE EMBASSY HAS PRESSED SINCE THEN TO HAVE THE FORMAL QUOTE FOR A CONTRACT, BUT PBE DID NOT PROVIDE ONE UNTIL MAY 16, 1977, THE DAY THE WORK WAS SCHEDULED TO BEGIN. THE QUOTE FOR THE REMAINING COURTYARDS TOTALED 247,000 DOLLARS -- 109,000 DOLLARS MORE THAN THE ORIGINAL ESTIMATE AND REMAINING FUNDS. WE PROMPTLY REJECTED THIS INCREASE.

D. AT A MEETING ON MAY 17 WITH PBE, THE EMBASSY LEARNED THAT THE 109,000 DOLLAR OVERRUN WAS CAUSED BY SEVERAL FACTORS. FIRST, PBE STATED THAT THE ORIGINAL ESTIMATE OF NOVEMBER, 1975 HAD INCLUDED ONLY TWO COURTYARDS (THE CENTRAL AND LOWER) RATHER THAN THE ENTIRE REAR, CONSISTING OF THREE COURTYARDS. THE EMBASSY DISPUTES THIS CLAIM, BUT ACTUAL MEASUREMENTS SUPPORT THE CONTENTION THAT THERE ARE MORE SQUARE METERS INVOLVED THAN THE ORIGINAL ESTIMATE TOOK INTO ACCOUNT. SECONDLY, PBE USED HIGHER, MORE RECENT UNIT PRICE RATES (STATE CONTROLLED) IN ITS SECOND ESTIMATE. IN FURTHER NEGOTIATIONS, PBE AGREED TO USE THE OLD (PRE-JANUARY, 1977) PRICE RATES SINCE THE ESTIMATE HAD BEEN ORDERED (AND PROMISED) IN 1976. THIS RESULTED IN A NET REDUCTION OF 38,000 DOLLARS STILL LEAVING AN OVERRUN OF 71,000 DOLLARS. THE EMBASSY ALSO REJECTED THIS FIGURE AND ASKED FOR A NEW, JOINT STUDY OF THE BASIC MEASUREMENTS. GSO PERSONNEL AND THE SEABEE BUC-IN-CHARGE MET WITH A REPRESENTATIVE OF PBE AND CAREFULLY COMPARED BUILDING PLANS WITH THE FIGURES ON WHICH THE QUOTE WAS BASED. THE RESULT WAS A FURTHER DECREASE OF THE OVERRUN FROM 71,000 DOLLARS TO 36,860 DOLLARS. PBE SAID THIS WAS ITS UNCLASSIFIED

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"FINAL OFFER".

### 3. SUMMARY

WHILE REGRETTING THE ORIGINAL MISUNDERSTANDING WITH PBE, THE EMBASSY HAS EXERTED EVERY EFFORT TO TRIM COST AND BELIEVES THAT IT HAS SUCCEEDED IN REACHING THE LOWEST POSSIBLE FIGURE WITH PBE. IN VIEW OF THE EXTENSIVE WORK ALREADY DONE ON THE CHANCERY AND THE HIGH COSTS AND DELAYS WHICH WOULD RESULT FROM BRINGING IN A THIRD-COUNTRY CONTRACTOR AT THIS POINT, THE EMBASSY REQUESTS 36,860 DOLLARS SUPPLEMENTAL FUNDING FROM FBO TO PERMIT IT TO CONCLUDE A CONTRACT FOR THE REMAINDER OF THE REAR PORTION OF THE CHANCERY.

4. SPECIAL ACTION REQUEST: EMBASSY CONCERNED THAT FURTHER DELAY IN STARTUP MIGHT CAUSE TRANSFER OF LOCAL CREW TO OTHER PROJECTS. ACCORDINGLY REQUESTS APPROVAL TO CONTRACT FOR WORK UP TO AMOUNT OF PRESENT ALLOTMENT (I.E. EVERYTHING EXCEPT PLASTERING IN ONE COURTYARD) BY RETURN TELEGRAM. THIS WILL ALLOW TIME FOR FBO CONSIDERATION OF REQUEST FOR ADDITIONAL FUNDING, AND AT SAME

TIME WOULD ALLOW STARTUP ON MOST IMPORTANT SEGMENTS OF CONTRACT,  
AND ASSURE THAT SEABEES ON-SITE WILL NOT BE WITHDRAWN.  
BYRNE

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## Message Attributes

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